

## **Message from the Trustee of the Royal and Sun Alliance UK Pension Scheme 2002 – 19 November 2020**

The purpose of this message is to update you on developments regarding the future ownership of the RSA Group and the response of the Trustee of the Royal and Sun Alliance UK Pension Scheme 2002 ("2002 Scheme").

As the Trustee of the Scheme, we will be communicating to all members shortly.

Please rest assured that, notwithstanding the proposed changes in ownership, we will continue to work on your behalf to protect the security of your pension benefits in the Scheme.

As you may have seen in the press, a consortium of two insurance companies has made a firm offer to buy the whole of the RSA Group. The consortium is led by Intact Financial Corporation ("Intact"), a large Canadian insurer, and the RSA Group Board is recommending this offer to its shareholders. If the offer completes, Intact will take over RSA's Canadian and UK & International businesses, whilst the other insurer in the consortium, Tryg, will take over RSA's Swedish and Norwegian businesses. Intact and Tryg will co-own RSA's Danish business.

Intact is one of the leading general insurers in Canada and has grown steadily over the recent years with a number of successful acquisitions. RSA shareholder approval is required to implement the transaction and details of this will be included in a document to be sent to all shareholders by RSA. There is no certainty, at this stage, that the offer will complete, and in any event it will take some months for the process to complete.

The formal announcements made by RSA to date can be found on RSAGroup.com and, if more information about the transaction becomes available, it will be published on that website.

The Trustee had no role in approving the offer or any specific legal rights in respect of the offer itself. Intact, along with RSA, did engage with the Trustee in advance of the transaction becoming public knowledge. At that stage, all of the Trustee's interactions with representatives of Intact and RSA during this process were robust, open and constructive, with the Trustee's focus being to make sure that, should the transaction go ahead, members' benefits should be no less secure.

- **What has been agreed?**

If the proposed transaction proceeds Intact will:

- provide a Parent Company Guarantee to the 2002 Scheme which will provide more security for the pension benefits;
- provide an advanced deficit reduction contribution of £325k to the 2002 Scheme;
- Intact and the Trustee have agreed to work closely together to protect the 2002 Scheme.

- **Covenant**

The ongoing strength of the sponsoring employer's covenant, i.e. its ability to pay contributions into the Scheme, is critical to the Trustee.

In order to mitigate the impact of this change, Intact has agreed to provide a Parent Company Guarantee which guarantees all of RSA's current and future payment obligations to the Scheme.

Based on the information provided and the professional advice received, the Trustee is satisfied that the agreed arrangements (including the Parent Company Guarantee) mean that members' benefits should be no less secure.

- **Immediate improvement in funding**

As communicated in previous newsletters, at the last valuation as at 31 December 2016, the Trustee and RSA established a recovery plan to meet the shortfall in funding identified at that point. The transaction will not affect that recovery plan and RSA will still be required to meet the shortfall in the Scheme in the same way whether or not the transaction goes ahead.

As part of the arrangements agreed with RSA and Intact, RSA will pay an *additional* year of the existing recovery plan contributions to the Scheme within 5 business days of completion of the transaction. This additional payment will immediately improve the funding of the Scheme.

The Trustee is currently in discussions with RSA about the 31 December 2019 Valuation. It is expected that agreement will be reached by 31 March 2021 on what changes (if any) will be made to the Scheme's recovery plan.

- **Working together in the future**

Intact has agreed to fully engage with the Trustee in relation to the Scheme in the future, providing us with the regular information for both RSA and Intact that we require to monitor the covenant and therefore the ongoing security of member benefits.

We believe that the Trustee and Intact will have an open and engaged relationship into the future, which we welcome.

The Trustee is not expecting any changes in the way it operates and runs as a result of the transaction. In addition, Intact has confirmed it will not look to make any changes to Dalriada as, Trustee of the Scheme, prior to completion of the Scheme's valuation currently expected as at 31 December 2025, unless there is reasonable cause to do so or it has Dalriada's consent (after the current valuation as at 31 December 2019 the next expected Scheme valuation is at 31 December 2022).

- **The Trustee's opinion**

The Trustee worked with its advisers to understand the impact on the 2002 Scheme of RSA being bought by Intact and Tryg. We believe that the package of measures agreed is an adequate response to the acquisition.

## **Questions and answers**

### **Q. Where can I get further information?**

- Information on Intact can be found in the Intact website - [www.intactfc.com](http://www.intactfc.com)
- RSA Group Information can be found on the RSA website – [www.rsagroup.com](http://www.rsagroup.com)
- Information about the Scheme can be found on the Scheme website – <https://www.dalriadatrustees.co.uk/scheme/rsa2002/>

If you would like to obtain a quotation on your pension, please contact the Scheme Administrator:

#### **In writing:**

Dalriada Trustees  
c/o Deloitte  
27-45 Great Victoria Street  
Belfast  
BT2 7SL

#### **By phone:**

(0) 28 9032 4786

#### **By email:**

**ukdtrbrsa@deloitte.co.uk**

### **Q. If the transaction proceeds, will Intact be able to use the assets of the Schemes – or is my pension protected?**

The Scheme is a separate legal entity to the RSA Group. The assets of the Scheme are held in trust by the Trustee for the benefit of the membership, so are legally ring-fenced from the assets of RSA Group (and therefore from the new owner as well).

Under UK law there are protections in place to prevent benefits that have already been built up from being changed.

### **Q. Will there be any changes to my benefits?**

There will be no changes to your benefits as a result of the transaction.

### **Q. Should I transfer my pension out of the Scheme?**

The transaction should not be seen as a trigger to transfer your pension out of the Scheme.

By law, we cannot give you any advice about your pension. If you are thinking about transferring your pension benefits out of the Scheme, it is important you obtain independent financial advice before taking any action.

You should also continue to be alert to pension scams. The Pensions Regulator and Financial Conduct Authority have produced a short leaflet about pension scams, how to avoid them and what to do if you suspect a scam. We would encourage you to read this leaflet which can be found at [www.thepensionsregulator.gov.uk/pension-scams](http://www.thepensionsregulator.gov.uk/pension-scams).

**Q. What will happen if shareholders reject the acquisition or if it doesn't complete for some other reason?**

The Trustee and RSA have previously agreed a plan to eliminate the shortfall in funding. If the acquisition did not complete for any reason, the Trustee and RSA would continue with the original plan.

RSA has stated that it remains confident of its future as a standalone company should the transaction not complete for any reason.

**Q. Where can I get more information about the Offer?**

The formal announcements made by RSA can be found on RSAGroup.com under Investors/Proposed Offer or via the banner on the home page.

**Q. What role will Tryg have in supporting the Schemes?**

If the transaction completes, Tryg will take over the bulk of the Scandinavian business of the RSA Group. It will have no role in the funding of the Scheme.

**Q. What conditions need to be fulfilled for the transaction to complete?**

As well as a RSA shareholder vote, there will be various regulatory aspects to fulfil across the markets where all parties (RSA, Intact and Tryg) operate. The planning for this is underway and whilst it will take some time, the parties will cooperate with each other in order to assist in obtaining the required regulatory approvals. Tryg shareholders will also need to vote to agree the transaction.